

Decision 12-09-005 September 13, 2012

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Fruitridge Vista Water Company  
for Modification of Resolution W-4858, Dated  
December 16, 2010 (WTB-136).

Application 12-04-014  
(Filed April 6, 2012)

**DECISION MODIFYING RESOLUTION W-4858**

**Summary**

This decision modifies Resolution W-4858 to provide that the product of the application of an 11% rate of return factor to the \$1.98 million buy-in fee for the right to purchase water from the City of Sacramento, as required by Decision 06-04-073, shall be treated as a line item adjustment of \$217,800 to operating revenues and excluded from the cost of capital calculation. The proceeding is closed.

**Background**

Decision (D.) 06-04-073 approved a comprehensive settlement to resolve pending lawsuits that stemmed from the contamination of Fruitridge Vista Water Company's (FVWC) wells by oil companies. As part of that settlement, FVWC paid a \$1.98 million buy-in fee to the City of Sacramento for the right to purchase water. The fee was to be afforded an 11% rate of return to allow FVWC to collect sufficient revenues to pay for financing the fee and have \$80,000 remaining, which it would commit to system infrastructure investments.

The Division of Water and Audits (Division) issued draft Resolution W-4842 authorizing FVWC's general rate increase in Test Year 2010. Among

other things, the draft resolution would have applied the otherwise-applicable rate of return to the \$1.98 million fee, and included the \$1.98 million fee as debt in the calculation of the weighted average cost of capital.

In accordance with the procedure established in D.92-03-093, FVWC made an appeal request for an informal hearing before an Administrative Law Judge (ALJ) to resolve contested issues regarding the draft resolution, including the draft resolution's proposed ratemaking treatment of the \$1.98 million financing for the buy-in fee. An informal hearing was conducted on October 20, 2010, at which time FVWC and the Division appeared and presented evidence and argument under oath regarding the contested issues. The ALJ's November 8, 2010, Recommended Decision and Ruling on Appeal Request (Ruling on Appeal) found, among other things, that the Division's proposed ratemaking treatment would produce only \$99,406, rather than the requisite \$217,800 (11% times \$1.98 million) which is needed to pay for financing the \$1.98 million fee and have \$80,000 remaining for system infrastructure investments. The Ruling on Appeal directed the Division to revise the draft resolution to apply an 11% rate of return to the \$1.98 million to produce \$217,800, which is sufficient revenue to cover the financing cost plus \$80,000 for system infrastructure investments.

The Division revised the draft resolution (renumbered as draft Resolution W-4858) to apply an 11% rate of return to the \$1.98 million, but its calculation did not produce revenue of \$217,800 as directed by the ALJ. Instead, draft Resolution W-4858 included the \$1.98 million financing buy-in fee as long-term debt in the calculation of the weighted cost of capital, thereby effectively reducing the return on the \$1.98 million to only \$99,406. Furthermore, although there is no mention of it in the ALJ's Ruling on Appeal, draft Resolution

W-4858's Finding and Conclusion No. 43 incorrectly stated that the Ruling on Appeal "finds that [the \$1.98 million buy-in fee] should be used to adjust the weighted average cost of capital." The Commission adopted Resolution W-4858 on December 16, 2010.

By this application, FVWC seeks to have the Commission modify Resolution W-4858 on the basis that the authorized revenue requirement as shown and adopted in Attachment A to the resolution does not comport with the language of the resolution and the intent and direction of the Ruling on Appeal with respect to the treatment of the buy-in fee.

By motion filed May 31, 2012, the Division moved to dismiss the application for being improperly served and untimely pursuant to Rule 16.4, which governs petitions for modification. In the alternative, the Division moved for an extension of time to file a protest to the application. The ALJ denied the motion to dismiss, but granted an extension of time to file a protest by no later than June 12, 2012. The Division did not file a protest and did not appear at the June 13, 2012 prehearing conference. However, when contacted during the course of the prehearing conference, the Division informed the assigned Commissioner's personal advisor that it does not intend to participate as a party to the formal proceeding.

## **Discussion**

The Ruling on Appeal is clear that, in order to give effect to D.06-04-073, the ratemaking treatment of the \$1.98 million buy-in fee should achieve \$217,800 in net revenue, which is the amount necessary to cover the financing payment plus an annual \$80,000 investment in infrastructure. The Ruling on Appeal does not expressly address how the \$1.98 million buy-in fee is to be treated with respect to the calculation of the cost of capital. However, including the fee in the

cost of capital calculation, as shown in Resolution W-4858, results in a weighted cost of capital of 8.44% which, when applied to the \$1.98 million buy-fee, yields only \$99,406. In contrast, excluding the fee from the cost of capital calculation, and applying the 11% rate of return to it without dilution, yields \$217,800 as the Ruling on Appeal intended.

In order to achieve \$217,800, which is the amount necessary to cover the financing payment plus an annual \$80,000 investment in infrastructure as required pursuant to D.06-04-073, the \$217,800 adjustment (11% times \$1.98 million) must be completely separate from the calculation of FVWC's cost of capital. Therefore, the \$217,800 adjustment must be a separate line item adjustment to operating revenues. We therefore modify Resolution W-4858 to remove the buy-in fee adjustment of \$217,800 and all components thereof (including the \$1.98 million buy-in fee and 11% factor) from the cost of capital calculation, and to adjust operating revenues as a separate line item adjustment of \$217,800, in order to ensure that the full amount of \$217,800 is collected from ratepayers.

### **Categorization and Need for Hearings**

In Resolution ALJ 176-3293 dated May 10, 2012, the Commission preliminary categorized this application as Ratesetting, and preliminarily determined that hearings were necessary. Because the application is unopposed and no further evidence is required, we hereby change the preliminary determination and finally determine that no evidentiary hearing is required.

### **Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code

and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

### **Assignment of Proceeding**

Catherine J.K. Sandoval is the assigned Commissioner and Hallie Yacknin is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. Resolution W-4858 includes the \$1.98 million buy-in fee paid to the City of Sacramento in the calculation of the weighted average cost of capital, which dilutes the effect of applying an 11% rate of return factor to the \$1.98 million buy-in fee for purposes of yielding \$217,800 in operating revenue that is sufficient to cover the financing payment associated with the buy-in fee plus an annual \$80,000 investment in system infrastructure.

2. In order to yield \$217,800 in operating revenue that is sufficient to cover the financing payment associated with the buy-in fee plus an annual \$80,000 investment in system infrastructure, the \$1.98 million buy-in fee paid to the City of Sacramento must be separated from the calculation of the cost of capital, and the \$217,800 adjustment (11% times \$1.98 million) must be a separate line item adjustment to operating revenues.

### **Conclusions of Law**

1. The November 8, 2010, Recommended Decision and Ruling on Appeal intends that an 11% rate of return factor be applied to the \$1.98 million buy-in fee paid to the City of Sacramento in a manner that yields operating revenues of \$217,800, which is sufficient to cover the financing payment associated with the buy-in fee plus an annual \$80,000 investment in system infrastructure, pursuant to D.06-04-073.

2. Resolution W-4858 should be modified to adjust operating revenues as a separate line item adjustment of \$217,800 to account for the application of an 11% rate of return to the \$1.98 million buy-in fee and to ensure that the resulting \$217,800 is collected from ratepayers.

3. Resolution W-4585 should be modified to exclude the \$1.98 million buy-in fee paid to the City of Sacramento and the 11% rate of return factor from the cost of capital calculation.

4. Resolution W-4858 should be modified to remove the buy-in fee adjustment of \$217,800 from the cost of capital calculation.

5. Table 1 on page 8 should be replaced in its entirety with the following:

	Capital Structure	Cost Factor	Weighted Cost
Long Term Debt	4.65%	7.60%	.35%
Common Equity	95.35%	11.30%	10.77%
Total	100.00%		11.12%

6. The first paragraph on page 8 should be modified to read as follows:

We will adopt ~~8.44%~~ 11.12% as an authorized rate of return based on Staff's determination of the capital structure and the cost of debt and equity. Pursuant to D.06-04-073, the buy-in fee of \$1.98 million paid to the City of Sacramento and the 11% factor applied to it is excluded from the cost of capital calculation. We discuss the adjustment associated with the buy-in fee below. The 11.30% ROE is the same as recently authorized for other Class B utilities and consistent with the average returns on equity between what we have authorized for Class A utilities and those set by the UAFCB for Class C utilities. The authorized rate of return of ~~8.44%-11.12%~~ reflects is adjusted upward to 9.98% to account for the treatment of two rate base components. First is the 10% rate of return floor we established for reinvested funds from the recovery of pollution litigation awards of \$831,624 authorized in

D.06-04-073 and made effective in Res. W-4696 approving a rate base offset. ~~Second is the rate of return applicable on the \$1.98 million buy-in fee for the right to purchase water from the City of Sacramento that was afforded rate base treatment in D.06-04-073. The ALJ Ruling determines that the intent of D.06-04-073 is that an 11% rate of return, then in effect, should be applied to the \$1.98 million.~~

7. A new section should be added to page 8, below the Rate of Return section, titled "Buy-in Fee Adjustment." This section should add the following text:

Pursuant to D.06-04-073, the ratemaking treatment of the \$1.98 million buy-in fee paid to the City of Sacramento should achieve \$217,800 in net revenue, which is the amount necessary to cover the financing payment associated with the buy-in fee plus an annual \$80,000 investment in system infrastructure. In order to recognize the adjustment to operating revenue required pursuant to D.06-04-073, this adjustment to operating revenues must be completely separate from the determination of FVWC's regular cost of capital calculation. Therefore, the \$217,800 adjustment (11% times \$1.98 million) must be a separate line item adjustment to operating revenues. Accordingly, we add a line item adjustment to Operating Revenues (Appendix A Summary of Earnings Table) of \$217,800, and adjust the rate design accordingly.

8. Based on the above modification to the rate of return calculation, the first sentence and the revenue allocations shown on page 9 should be modified to read as follows:

Based on the above rate design criteria, Staff calculated the following the allocations are as follows:

Flat Rate Revenue		\$1,510,087
<u>11% on \$1.98 million buy-in fee:</u>		\$217,800
<u>Other:</u>		\$1,510,087
<u>Total Flat Rate Revenue:</u>		\$1,533,367
Metered Revenue	\$1,004,827	\$1,020,318
Private Fire Protection	\$14,593	\$14,818
Metered Construction Service	\$589	\$598
Total	\$2,530,096	\$2,569,101

9. The second paragraph under the heading “Comments” on page 11 should be modified to read as follows:

FVWC filed written comments on December 14, 2010 on two issues. FVWC noted an error in the benefit amounts shown in the draft resolution from what was approved in the ALJ Ruling. We have made this correction. The second issue of concern is over the Staff’s inclusion of the \$1.98 million of buy-in fee paid to the City of Sacramento in its calculation of the weighted-average cost of capital and, by so doing, failure to provide for sufficient revenue associated with the \$1.98 million fee to cover the financing payment plus an annual \$80,000 investment in infrastructure as directed by the ALJ Ruling. We reiterate that the \$1.98 million buy-in fee for the right to purchase water from the City of Sacramento is afforded a return of 11% in the calculation of the adjusted rate of return on 9.98%. Staff did not correct this error in the final draft of this resolution. However, we correct it by our decision in Application 12-04-014, FVWC’s application for modification of Resolution W-4858.



10. Finding and Conclusion No. 39 should be modified to read as follows:

Fruitridge Vista Water Company's weighted average cost of long-term debt, excluding the \$1.98 million buy-in fee paid to the City of Sacramento, is ~~4.89%~~ 7.60%.

11. Finding and Conclusion No. 40 should be modified to read as follows:

Fruitridge Vista Water Company's capital structure, excluding the \$1.98 million buy-in fee paid to the City of Sacramento, is ~~44.6%~~ 4.65% long-term debt and ~~55.4%~~ 95.35% equity.

12. Finding and Conclusion No. 43 should be modified to read as follows:

The ALJ Ruling finds that ~~Decision 06-04-073 adopts a fixed rate of return of 11% for the \$1.98 million of buy-in fee paid to the City of Sacramento and should be used to adjust the weighted average cost of capital.~~ an 11% rate of return factor be applied to the \$1.98 million buy-in fee paid to the City of Sacramento in a manner that yields operating revenues of \$217,800, which is sufficient to cover the financing payment associated with the buy-in fee plus an annual \$80,000 investment in system infrastructure, pursuant to Decision 06-04-073. In order to give effect to this result, this line item adjustment and all of its component parts must be completely separate from the calculation of the weighted average cost of capital.

13. Finding and Conclusion No. 44 should be modified to read as follows:

The ~~blended~~ rate of return of ~~9.98%~~ 11.12% which is applied to rate base when accounting for the 10% return on funds from recovery of pollution litigation awards and the 11% return for the buy-in fee paid to the City of Sacramento is reasonable and should be adopted.

14. The Summary of Earnings Test Year 2010 (Appendix A to Resolution W-4858) should be modified to show net revenues to be \$630,937, and to revise operating revenues as follows:

Flat Rates		<u>\$1,510,087</u>
<u>11% on \$1.98 million buy-in fee:</u>		<u>\$217,800</u>
<u>Other:</u>		<u>\$1,510,087</u>
<u>Total Flat Rate Revenue:</u>		<u>\$1,533,367</u>
Metered Rates	<del>\$1,004,827</del>	<u>\$1,020,318</u>
Private Fire Protection	<del>\$14,593</del>	<u>\$14,818</u>
Other Water Revenues	<del>\$589</del>	<u>\$598</u>
Total	<del>\$2,530,096</del>	<u>\$2,569,101</u>

15. Schedule No. 1, Metered Service, at page 1 of Appendix B to Resolution W-4858, should be modified as follows:

#### RATES

##### Quantity Rate:

    All Water used per 100 cu. ft.      ~~\$0.8866~~ \$0.9003

##### Service Charge:

Per Meter Per Month

    For 5/8 x 3/4 inch meter      ~~\$ 8.65~~ \$ 8.78

    For 3/4-inch meter      ~~\$12.97~~ \$13.17

    For 1-inch meter      ~~\$21.62~~ \$21.95

    For 1 1/2-inch meter      ~~\$43.23~~ \$43.89

    For 2-inch meter      ~~\$69.17~~ \$70.24

    For 3-inch meter      ~~\$129.69~~ \$131.69

    For 4-inch meter      ~~\$216.15~~ \$219.48

    For 6-inch meter      ~~\$432.31~~ \$438.97

16. Schedule No. 2, Flat Rate Service, at page 2 of Appendix B to Resolution W-4858, should be modified as follows:

<u>RATES</u>	<u>Per Service Connection Per Month</u>	
1. For a single residential unit, including premises not exceeding 10,000 square feet in area	<del>\$32.06</del> <u>\$32.55</u>	(1)
a. For each additional single family unit on the same premises and served from the same service connection	<del>\$20.11</del> <u>\$20.42</u>	(1)
b. For each 100 square feet of premises in excess of 10,000 sq. ft.	<del>\$0.46</del> <u>\$0.47</u>	(1)
2. For each automobile service station, including car wash rack, where service connection is not larger than one inch in diameter	<del>\$66.22</del> <u>\$67.24</u>	(1)

17. Schedule No. 4, Private Fire Protection Service, at page 3 of Appendix B to Resolution W-4858, should be modified as follows:

<u>RATES</u>	<u>Per Month</u>
For each inch of diameter of service connection	<del>\$6.54</del> <u>\$ 6.64</u>

18. Schedule No. 9, Metered Construction Service, at page 4 of Appendix B to Resolution W-4858, should be modified as follows:

<u>RATES</u>		
Quantity Rate Per 100 cu. ft.	<del>\$ 0.8866</del> <u>\$ 0.9003</u>	(1)
Minimum Charge For all sized of meter	Per Meter Per Day <del>\$ 8.87</del> <u>\$ 9.01</u>	(1)

19. Adopted Quantities, Test Year 2010, at page 3 of Appendix C to Resolution W-4858, should be modified as follows:

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	<del>\$2,530,096</del> <u>\$2,569,101</u>	<del>\$2,530,096</del> <u>\$2,569,101</u>
2.	O & M Expenses	\$1,637,903	\$1,637,903
3.	Taxes Other Than Income	\$75,283	\$75,283
4.	Depreciation and Interest	\$182,776	\$182,776
5.	Taxable Income for State Tax	<del>\$634,134</del> <u>\$673,139</u>	
6.	State Tax	<del>\$56,057</del> <u>\$59,505</u>	
7.	Taxable Income for FIT		<del>\$578,077</del> <u>\$613,634</u>
8.	Federal Income Tax		<del>\$208,700</del> <u>\$208,635</u>
9.	Total Income Tax		<del>\$264,757</del> <u>\$268,140</u>
California Corporate Franchise Rate		8.84%	
Federal Income Tax Rate			
On first \$50,000 of taxable income		15%	
On next \$25,000 of taxable income		25%	
On next \$25,000 of taxable income		34%	
On next \$235,000 of taxable income		39%	
<u>On everything over \$335,000</u>		<u>34%</u>	

20. Fruitridge Vista Water Company should be authorized to file a Tier 1 advice letter to recover the revenue difference between rates adopted in Resolution W-4858 as of December 16, 2010, and as modified by this decision, amortized over 24 months.

21. No evidentiary hearing is required.

22. Application 12-04-014 should be closed.

## O R D E R

**IT IS ORDERED** that:

1. Resolution W-4858 is modified as follows:

(a) Table 1 on page 8 is replaced in its entirety with the following:

	Capital Structure	Cost Factor	Weighted Cost
Long Term Debt	4.65%	7.60%	.35%
Common Equity	95.35%	11.30%	10.77%
Total	100.00%		11.12%

(b) The first paragraph on page 8 is modified to read as follows:

We will adopt ~~8.44%~~ 11.12% as an authorized rate of return based on Staff's determination of the capital structure and the cost of debt and equity. Pursuant to D.06-04-073, the buy-in fee of \$1.98 million paid to the City of Sacramento and the 11% factor applied to it is excluded from the cost of capital calculation. We discuss the adjustment associated with the buy-in fee below. The 11.30% ROE is the same as recently authorized for other Class B utilities and consistent with the average returns on equity between what we have authorized for Class A utilities and those set by the UAFCB for Class C utilities. The authorized rate of return of ~~8.44%-11.12%~~ reflects is adjusted upward to 9.98% to account for the treatment of two rate base components. First is the 10% rate of return floor we established for reinvested funds from the recovery of pollution litigation awards of \$831,624 authorized in D.06-04-073 and made effective in Res. W-4696 approving a rate base offset. Second is the rate of return applicable on the \$1.98 million buy-in fee for the right to purchase water from the City of Sacramento that was afforded rate base treatment in D.06-04-073. The ALJ Ruling determines that the intent of D.06-04-073 is that an

~~11% rate of return, then in effect, should be applied to the \$1.98 million.~~

- (c) A new section is added to page 8, below the Rate of Return section, titled "Buy-in Fee Adjustment," and adds the following text:

Pursuant to D.06-04-073, the ratemaking treatment of the \$1.98 million buy-in fee paid to the City of Sacramento should achieve \$217,800 in net revenue, which is the amount necessary to cover the financing payment associated with the buy-in fee plus an annual \$80,000 investment in infrastructure. In order to recognize the adjustment to operating revenue required pursuant to D.06-04-073, this adjustment to operating revenues must be completely separate from the determination of FVWC's regular cost of capital calculation. Therefore, the \$217,800 adjustment (11% times \$1.98 million) must be a separate line item adjustment to operating revenues. Accordingly, we add a line item adjustment to Operating Revenues (Appendix A Summary of Earnings Table) of \$217,800, and adjust the rate design accordingly.

- (d) The first sentence and the revenue allocations shown on page 9 are modified to read as follows:

Based on the above rate design criteria, Staff calculated ~~the following~~ the allocations are as follows:

Flat Rate Revenue	\$1,510,087
11 % on \$1.98	\$217,800
million buy-in	\$1,510,087
fee:	
Other:	\$1,53
Total Flat Rate	3,367
Revenue:	
Metered Revenue	\$1,004,827
	\$1,02
	0,318
Private Fire	\$14,593
Protection	\$14,8
	18
Metered	\$589
Construction	\$598
Service	
Total	\$2,530,096
	\$2,56
	9,101

- (e) The second paragraph under the heading “Comments” on page 11 is modified to read as follows:

FVWC filed written comments on December 14, 2010 on two issues. FVWC noted an error in the benefit amounts shown in the draft resolution from what was approved in the ALJ Ruling. We have made this correction. The second issue of concern is over the Staff’s inclusion of the \$1.98 million of buy-in fee paid to the City of Sacramento in its calculation of the weighted-average cost of capital and, by so doing, failure to provide for sufficient revenue associated with the \$1.98 million fee to cover the financing payment plus an annual \$80,000 investment in infrastructure as directed by the ALJ Ruling. ~~We reiterate that the \$1.98 million buy-in fee for the right to purchase~~

~~water from the City of Sacramento is afforded a return of 11% in the calculation of the adjusted rate of return on 9.98%. Staff did not correct this error in the final draft of this resolution. However, we correct it by our decision in Application 12-04-014, FVWC's application for modification of Resolution W-4858.~~

- (f) Finding and Conclusion No. 39 is modified to read as follows:

Fruitridge Vista Water Company's weighted average cost of long-term debt, excluding the \$1.98 million buy-in fee paid to the City of Sacramento, is ~~4.89%~~ 7.60%.

- (g) Finding and Conclusion No. 40 is modified to read as follows:

Fruitridge Vista Water Company's capital structure, excluding the \$1.98 million buy-in fee paid to the City of Sacramento, is ~~44.6%~~ 4.65% long-term debt and ~~55.4%~~ 95.35% equity.

- (h) Finding and Conclusion No. 43 is modified as follows:

The ALJ Ruling finds that ~~Decision 06-04-073 adopts a fixed rate of return of 11% for the \$1.98 million of buy-in fee paid to the City of Sacramento and should be used to adjust the weighted average cost of capital.~~ an 11% rate of return be applied to the \$1.98 million buy-in fee paid to the City of Sacramento in a manner that yields operating revenues of \$217,800, which is sufficient to cover the financing payment associated with the buy-in fee plus an annual \$80,000 investment in infrastructure, pursuant to Decision 06-04-073. In order to give effect to this result, this line item adjustment and all of its component parts must be completely separate from the calculation of the weighted average cost of capital.

- (i) Finding and Conclusion No. 44 is modified to read as follows:

The ~~blended~~ rate of return of ~~9.98%~~ 11.12% which is applied to rate base ~~when accounting for the 10% return on funds from recovery of pollution litigation awards and~~



~~the 11% return for the buy-in fee paid to the City of Sacramento~~ is reasonable and should be adopted.

2. The Summary of Earnings Test Year 2010 (Appendix A to Resolution W-4858) is modified to show net revenues of \$630,937, and to revise operating revenues as follows:

Flat Rate Revenue		<del>\$1,510,087</del>
<u>11% on \$1.98 million buy-in</u>		<u>\$217,800</u>
<u>fee:</u>		<u>\$1,510,087</u>
<u>Other:</u>		<u>\$1,533,367</u>
<u>Total Flat Rate Revenue:</u>		
Metered Revenue	<del>\$1,004,827</del>	<u>\$1,020,318</u>
Private Fire Protection	<del>\$14,593</del>	<u>\$14,818</u>
Metered Construction Service	<del>\$589</del>	<u>\$598</u>
Total	<del>\$2,530,096</del>	<u>\$2,569,101</u>

3. Schedule 1, Metered Service, at page 1 of Appendix B to Resolution W-4858, is modified as follows:

### RATES

#### Quantity Rate:

All Water used per 100 cu. ft.      ~~\$0.8866~~ \$0.9003

#### Service Charge:

#### Per Meter Per Month

For 5/8 x 3/4 inch meter	<del>\$ 8.65</del>	<u>\$ 8.78</u>
For 3/4-inch meter	<del>\$12.97</del>	<u>\$13.17</u>
For 1-inch meter	<del>\$21.62</del>	<u>\$21.95</u>
For 1 1/2-inch meter	<del>\$43.23</del>	<u>\$43.89</u>
For 2-inch meter	<del>\$69.17</del>	<u>\$70.24</u>
For 3-inch meter	<del>\$129.69</del>	<u>\$131.69</u>
For 4-inch meter	<del>\$216.15</del>	<u>\$219.48</u>
For 6-inch meter	<del>\$432.31</del>	<u>\$438.97</u>

4. Schedule No. 2, Flat Rate Service, at page 2 of Appendix B to Resolution W-4858, is modified as follows:

<u>RATES</u>	<u>Per Service Connection Per Month</u>	
1. For a single residential unit, including premises not exceeding 10,000 square feet in area	<del>\$32.06</del> <u>\$32.55</u>	(1)
a. For each additional single family unit on the same premises and served from the same service connection	<del>\$20.11</del> <u>\$20.42</u>	(1)
b. For each 100 square feet of premises in excess of 10,000 sq. ft.	<del>\$0.46</del> <u>\$0.47</u>	(1)
2. For each automobile service station, including car wash rack, where service connection is not larger than one inch in diameter	<del>\$66.22</del> <u>\$67.24</u>	(1)

5. Schedule No. 4, Private Fire Protection Service, at page 3 of Appendix B to Resolution W-4858, is modified as follows:

<u>RATES</u>	<u>Per Month</u>
For each inch of diameter of service connection	<del>\$ 6.54</del> <u>\$ 6.64</u>

6. Schedule No. 9, Metered Construction Service, at page 4 of Appendix B to Resolution W-4858, is modified as follows:

<u>RATES</u>		
Quantity Rate		
Per 100 cu. ft.	<del>\$ 0.8866</del> <u>\$ 0.9003</u>	(1)
Minimum Charge	Per Meter Per Day	
For all sized of meter	<del>\$ 8.87</del> <u>\$ 9.01</u>	(1)

7. Adopted Quantities, Test Year 2010, at page 3 of Appendix C to Resolution W-4858, is modified as follows:

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	<del>\$2,530,096</del> <u>\$2,569,101</u>	<del>\$2,530,096</del> <u>\$2,569,101</u>
2.	O & M Expenses	\$1,637,903	\$1,637,903
3.	Taxes Other Than Income	\$75,283	\$75,283
4.	Depreciation and Interest	\$182,776	\$182,776
5.	Taxable Income for State Tax	<del>\$634,134</del> <u>\$673,139</u>	
6.	State Tax	<del>\$56,057</del> <u>\$59,505</u>	
7.	Taxable Income for FIT		<del>\$578,077</del> <u>\$613,634</u>
8.	Federal Income Tax		<del>\$208,700</del> <u>\$208,635</u>
9.	Total Income Tax		<del>\$264,757</del> <u>\$268,140</u>
California Corporate Franchise Rate		8.84%	
Federal Income Tax Rate			
On first \$50,000 of taxable income		15%	
On next \$25,000 of taxable income		25%	
On next \$25,000 of taxable income		34%	
On next \$235,000 of taxable income		39%	
On everything over \$335,000		34%	

8. Fruitridge Vista Water Company is authorized to file a Tier 1 advice letter to recover the revenue difference between rates adopted in Resolution W-4858 as of December 16, 2010, and as modified by this decision, amortized over 24 months.

9. It is determined that evidentiary hearings are not necessary.

10. Application 12-04-014 is closed.

This order is effective today.

Dated September 13, 2012 at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners